



# Organizational Restructuring Analysis

May, 2011

May 23, 2011

Mike Huggins  
City Manager  
City of Eau Claire  
203 S. Farwell  
Eau Claire, WI 54702

RE: Organizational Restructuring Analysis

Dear Mr. Huggins,

I am pleased to present this report to you in support of your effort to address organizational structure, strategic direction and operational excellence.

The consulting team, in addition to me, included local government practitioners Linda Camp, Mark Nagel, Donald James and Donald Davis. The team conducted an examination of the City's current organization, culminating in a wide range of findings and recommendations presented for your consideration.

We wish to thank you and the many employees throughout the organization who participated in interviews and provided valuable information over the past four months. This report would not have been possible without their efforts.

Yours truly,

A handwritten signature in black ink, appearing to read "CR Rapp", written in a cursive style.

Craig R. Rapp  
President  
Craig Rapp, LLC

Consultant Team: Linda Camp, Mark Nagel, Donald James, Donald Davis

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## Introduction/Purpose

Like most cities in Wisconsin and across the country, the City of Eau Claire faces the prospect of flat or declining revenues coupled with growing service demands and aging infrastructure. To ensure that the city is capable of continuing the provision of high-quality service, it engaged the services of Craig Rapp, LLC- a consulting firm specializing in local government management to study the organization.

The specific focus of this study is a high-level review of organizational structure, evaluating strategic alignment and examining alternative service delivery options. The results of the review which follow, are meant to provide the City with a general understanding as to whether the current deployment of human and capital resources is adequate to meet the challenges noted, and to provide recommendations regarding organizational restructuring, strategic alignment and alternative approaches for service delivery.

The consulting team consisted of a group of five veteran local government practitioners, each with over thirty years' experience in local government- both as managers and consultant advisors. The team reviewed background data including the city budget, CIP, CAFR, Comprehensive Plans, ordinances and numerous operational plans. A series of interviews were conducted with key management and supervisory staff in each department as well as extensive discussions with the City Manager. An examination of best practices from throughout the country was also conducted, and a list of recommendations developed was drawn from this collective effort.

## Approach

To address the City's objectives for the study, a series of framing questions was developed to focus the team's efforts and to test the information gathered. The questions were:

1. What are the city's core functions? Are they well-defined? Prioritized?
2. What is the city's vision for the future- is it clear/documented? Are there plans in place to reach the desired outcome?
3. Does the city have the necessary human and capital resources to achieve its vision and strategic objectives?
4. Are the human and capital resources structured, aligned and deployed to achieve maximum efficiency and effectiveness?
5. Are there systems in place to direct, measure and continuously improve operations?
6. What are the key issues and challenges that the city must confront to remain viable and achieve its objectives?



## Background

More than two decades ago, Massachusetts Institute of Technology professor Peter M. Senge reflected on our increasingly complex and interconnected world in his ground breaking book, *The Fifth Discipline*.<sup>1</sup> According to Senge, for organizations to survive and thrive in the future, they needed to be less controlling and much more flexible and adaptable. His vision was for what he called a “learning organization;” an organization that is constantly renewing itself even as it effectively accomplishes its most urgent goals.

In the years since the notion of the learning organization was first introduced, more people have come to see the potential of this organizational model. And, as issues have been raised about the competitiveness of the United States in a global marketplace, the focus has broadened to include work and workers. A 2007 study from the John J. Heldrich Center for Workforce Development at Rutgers University asked some 160 public and private sector employers throughout New Jersey to identify the skills and abilities they most needed in employees now and in the future.

According to respondents, the greatest demand was for workers with tacit knowledge, which they characterized as “adaptability skills.” Adaptability was defined as a combination of critical thinking, problem solving, managing change, lifelong learning, and flexible role orientation.”<sup>2</sup> Similar studies by IBM in 2008 and the Minnesota State Colleges and Universities in 2009 reiterated this need for adaptable workers and underscored the importance of business “soft skills.”<sup>3</sup> Finally, adaptability was found to be one of the six practices of high-impact nonprofits in a multi-year research project described in the 2008 book, *Forces for Good*.<sup>4</sup>

Not surprisingly, the public sector has lagged behind the private sector in embracing and implementing this vision for the 21<sup>st</sup> century organization. There are relatively few examples of governmental entities **not** based on specialized departments and hierarchical management. Though the City of Eau Claire has adopted some innovative practices, overall the City operates within the more traditional government framework. While this approach has served Eau Claire residents well in the past, it is not likely to do so in the future. Given the current pressure on financial resources along with the pace and complexity of public issues, it will be important for the city to begin developing a flexible organization, staffed by equally flexible people.

The fact that the City has chosen to do an organizational analysis at this time is actually quite fortuitous. The US population and workforce are aging but, notably, the government workforce as a whole is older than that in the private and non-profit sectors. A quick analysis of the Eau Claire City workforce illustrates this point. Chart 1 shows that the City of Eau Claire has proportionally more workers aged 46

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<sup>1</sup> Peter M. Senge, *The Fifth Discipline* (1990) New York: Doubleday

<sup>2</sup> Heldrich study citation –Emerging Skill Needs of a Rapidly Changing Innovation Driven Economy”

<sup>3</sup> IBM and MNSCu reports

<sup>4</sup> Leslie R. Crutchfield, Heather McLeod Grant, *Forces For Good* (2007) San Francisco: Jossey-Bass

and over than either Eau Claire County or the State of Wisconsin. In addition, these older workers are not equally distributed across all City departments. As Chart 2 reveals, the Public Works Department has more individuals 46 and over than the rest of the City.

Chart 1. Comparison of Workforce Demographics

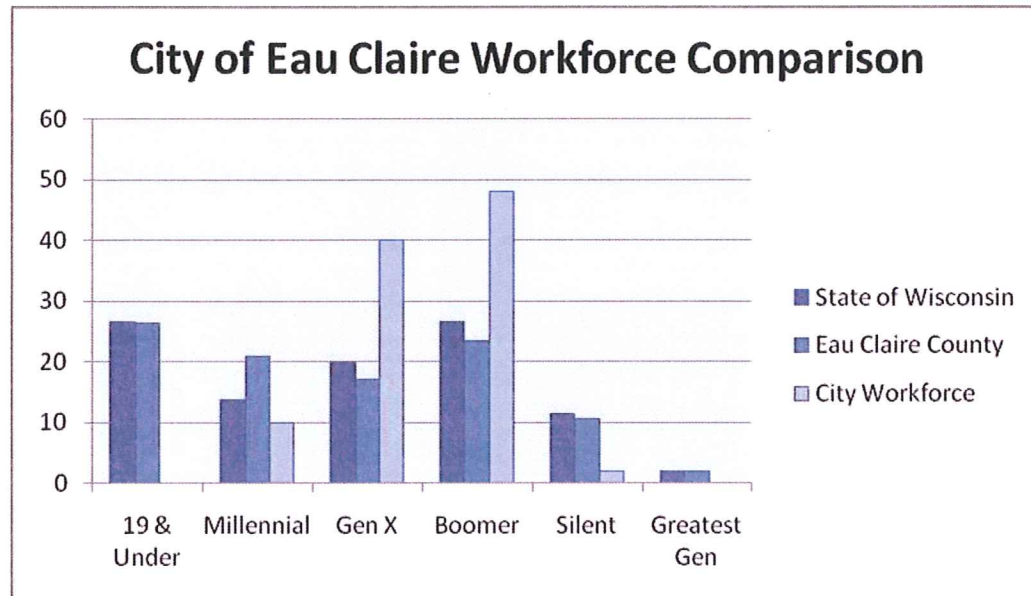
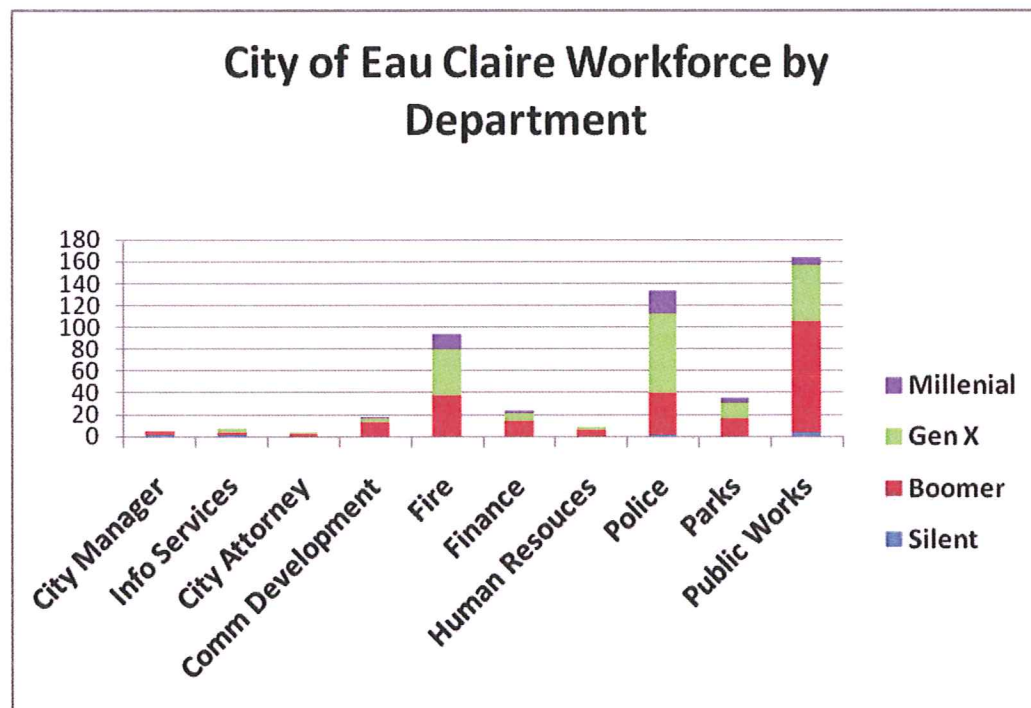


Chart 2. Age Distribution of Eau Claire Workforce



The rapid movement of people out of the organization over the next ten years provides an important platform from which to rethink staffing needs and to retool the workforce.

As the charts suggest, the aging workforce is “the” issue facing the organization. This was validated by the fact that nearly every person interviewed mentioned it as a critical issue. Even though this is a significant challenge, it also represents a unique opportunity for the organization. Both the challenge and the opportunity are addressed in the following sections.

The aging workforce, along with all other challenges faced by the city connects to three overarching and related issues: (1) strategic direction; (2) organizational structure/systems of work; and (3) people.

This report provides high-level analysis of the city’s current organizational environment, and provides findings and recommendations on how strategic direction, organizational structure and workforce development can affect the long-term success of the city.



## General Findings

As indicated in the introduction, interviews were conducted with a wide range of management and supervisory staff across the organization. The following are general findings based upon those interviews, supplemented by a review of relevant policies and practices in each department.

**1. The organization has a dedicated workforce and a seasoned leadership team that delivers good quality service.**

Throughout the interview process it was apparent that the employees were dedicated to public service, that the leadership team was very experienced, and that the quality of services delivered was high. There appeared to be a very low level of negative “organizational politics” within the workplace. The workforce generally expressed pride in their accomplishments and their desire to provide good customer service was evident.

The level of quality and professionalism within the organization provides a solid foundation upon which to build. This will be important because the impending fiscal and workforce issues will become larger and more complex.

**2. The organization will experience significant turnover in key positions across the organization, and it is not well prepared for the impact.**

In most departments, there are managers eligible for retirement. In a few critical areas, however, there are significant numbers of employees in key positions that are eligible for retirement, or will be very soon. Some departments have developed succession plans, but there is no organization-wide succession plan in place to address this potentially momentous change in leadership. While normal recruitment and hiring processes may yield qualified candidates to fill vacancies, the organization will suffer a significant loss of institutional knowledge and could face a prolonged period of time at less than one hundred percent competency and effectiveness – typically while new directors and managers become familiar with the organization and their new responsibilities.

**3. The organization lacks a focused, outcome-based workforce development program.**

The City of Eau Claire offers training and development of its staff on a general and somewhat ad hoc basis. Leading organizations have comprehensive workforce development programs in place to address the training and development of the next generation of leaders. In addition, these organizations establish an enterprise-wide strategy regarding staff development, identification of employees with leadership potential and the cultivation of opportunities for staff to assume leadership roles.

Because the city is facing a significant loss of key managers, the lack of a workforce development program puts the city at a risk of not only losing productive capacity, but also the dedication and interest of current employees.

**4. Most departments are at or nearing the limit of their ability to “do more with less.”**

Like other Wisconsin communities dealing with the current financial crisis, the City has taken many of the traditional measures to cut costs. In addition, the city has been a leader in collaboration and consolidation, with numerous shared services in place. Many departments have instituted new ways of doing business and have simply taken on additional work in order to maintain current services.

All of the current adaptation has been accomplished without benefit of new plans or procedures for coping with fewer resources. Without additional guidance regarding service priorities, levels of service to be delivered, and services to be discontinued, it will be increasingly difficult to meet the service expectations of the community.

**5. The City has a strategic profile but does not have an integrated strategic plan with detailed objectives, action plans and measures of success.**

The City Council’s strategic profile and priorities are very general statements. These can be used for broad allocations of resources, or for ranking the importance of one priority against another, but there are no specific plans associated with the document to guide implementation. Each city department defines objectives and outputs in the budget, but again, these are general in nature and do not provide a detailed action plan for day-to-day guidance and accountability for results. In a time of dwindling resources, staff needs this type of specificity in order to make difficult choices and meet customer needs.

Best-in-class organizations, in both the public and the private sectors, have a detailed understanding of the expectations and needs of their stakeholders and customers, and they clearly articulate the means by which the organization will meet those needs. To accomplish this, they continually gather customer information and then establish metrics and accountability systems to monitor performance. This ensures that the staff responsible for delivering the service is held accountable for performance, but it also provides them the tools to adapt to changes in the environment.

**6. The current organizational structure limits flexibility, cross-training and sharing of resources.**

The City has a traditional hierarchical structure that is typical of many organizations, and common to most cities. This structure concentrates decision-making at the top, uses multiple levels of approval and is focused on ensuring that systems are controlled and in compliance. There is also a great deal of specialization, and dedication of resources to narrowly defined functions.



These situations are evident in Eau Claire. There are a number of existing, free-standing small departments, such as Human Resources and City Clerk that may struggle for resources in the future due to small size, specialization and lack of economies of scale. There are larger departments, such as Public Works, which have the potential for more sharing but have intermediate levels of formal reporting and are tied to a fixed structure.

Although hierarchical organizations do achieve results, progressive organizations have increasingly moved toward flatter structures, coupled with grouping of similar functions to eliminate duplication and provide greater opportunities for teaming, sharing resources and cross training. A flatter structure also enables the organization to increase spans of control and accelerate the speed of decision-making. This ultimately facilitates the development of self-managing teams- replacing “stove-piped” divisions that have limited resources and vertical, layered decision structures.

**7. The organization has taken steps to improve productivity, but is often focused on low-value work.**

The City of Eau Claire has taken a number of steps to operate more productively and efficiently. Among the most noteworthy efforts are the many intergovernmental initiatives such as the regional EMS initiative, cooperative purchasing, and the regional Wi-Fi system that is under development. The City has also made effective use of technology to streamline activities in every department.

Despite these efforts, there are still many instances where valuable staff time is dedicated to what appear to be “low value” activities. Low value work includes such things as inefficient personal interactions, manually handling and/or processing documents, transactions, distributing printed materials, and checking items for errors. Staff are aware of low value work and do have ideas about how to operate more efficiently. Many commented that “they didn’t have time” to work on making improvements because day to day demands tended to take priority.

**8. The city’s long-range planning, particularly the capital improvement planning process is lacking.**

Frequently during the interview process, staff brought up the need to address looming, major capital improvement projects however, when asked about the current capital improvement plan (CIP), most felt it was unrealistic, not followed, and did not effectively address the financing of identified needs. In general, it appeared that although there was a CIP process, it was disjointed, and that control and detailed knowledge was in the hands of a few people. Further, it appears that the process lacked broad principles that were widely understood and followed.

**9. The organization has talented staff and good strategic thinkers, but a task orientation pervades the organization.**

As noted previously, the organization has a talented staff, many of whom appear to be very good strategic thinkers. In fact, there have been many initiatives conceived and launched by the organization that support this observation. However, in the judgment of the consulting team, the organization generally exhibits a “task” orientation. Specifically this means that for the most part,



staff thinks in terms of how to accomplish daily tasks, or puts challenges in the context of tasks to be accomplished rather than strategic issues and systemic approaches for achieving results, continuous learning and improvement.

This orientation is common today, particularly as organizations struggle to address severe fiscal constraints. However, if the City is to effectively meet its long-term needs, a more strategic orientation will be necessary, and the entire organization, from the Council to the front line employees will have to be part of the new approach.

## **Opportunities**

Although the City of Eau Claire faces some daunting challenges, the current operating environment provides great opportunities for successfully addressing those issues. A list of the major opportunities follows:

### **1. Leadership transition**

While the imminent departure of numerous top managers poses a substantial threat to the organization, it also offers an opportunity to plan for, and have a major impact on the quality of future management. Very few organizations are afforded an opportunity to make such a significant impact on the replacement of top leadership.

### **2. Unique set of external forces provides impetus for action**

The current political environment in Wisconsin and the national economic climate are creating uncertainty and stress, but they are also creating conditions where bold measures and innovative thinking are necessary to maintain status quo. Confronting seemingly insurmountable problems often brings out the best in people and results in the most creative solutions. If the city is able and willing to take bold and decisive action, the difficulties it faces could be used as leverage to achieve desired outcomes.

### **3. The city has a strong foundation for action**

As noted previously, the city has an experienced group of managers with a history of delivering high quality services. Many organizations facing the same challenges are not as fortunate. Taking action now to set a future course while the organization can take advantage of its talents and inherent strengths will be important to long-term success.

### **4. Shared services commission**

Given the fiscal constraints facing the city, it is likely that alternative service delivery approaches, including service sharing, will be required to ensure that quality and cost-effectiveness can be maintained. The city is fortunate to have experience with shared services. It can build from a position of strength, given the existence of a shared services commission representing the city, county and school district.

## **Recommendations**

The findings and opportunities identified in the previous sections establish the basis for a set of nine recommendations for possible action. A number of the recommendations, due to their broad scope, include additional detailed proposals and implementation steps.

### **1. Develop a strategic plan with a detailed action plan, including organizational sustainability**

To provide clear guidance and accountability for results, the city should develop an updated strategic plan with a 3-5 year time horizon that includes objectives, action plans and performance measures. And, while it is likely that traditional priorities such as public safety and transportation will be identified, the city should be mindful of the importance of organizational sustainability as a priority. Included within organizational sustainability are such issues as workforce planning and development, fiscal stability and technology.

Once the plan is in place, the annual budget development process should be linked more directly to the strategic priorities. Equally important, the leadership team should be held accountable for delivering the results envisioned. Departments should be trained in developing effective objectives along with appropriate quantitative and qualitative measures of performance. There should be meaningful conversations about progress against established measures during each year and particularly as part of each new budget cycle.

None of the department representatives interviewed identified this strategic plan as an important tool in City operations.

Under the current budgeting process, each department is asked to develop a series of objectives and outputs (measures). These are published as part of the annual budget document. A review of the 2011 budget revealed that, in most cases, the objectives are too general to be useful in guiding performance, and they are not effectively linked back to the strategic priorities. The measurement sections for each department contain lists of “outputs,” the quality of which varies across the organization. Few true “outcome” measures are identified. Creating outcome measures linked to strategic priorities will improve the accountability system, and provide a clearer framework for employees, the Council and stakeholders.

### **2. Set service priorities and clarify the level of service for each area**

The long-term revenue picture suggests that the organization may have to live with a lower revenue base and ultimately rebalance the organization in line with that base. In a constrained environment, difficult choices will need to be made. To provide clear direction to the organization and community at large, the City Council, supported by staff, should establish a more detailed prioritization of services and create clear service level expectations.

Most local governments have a difficult time prioritizing the services they provide, although many do make distinctions—usually as part of a strategic planning or budget process. Even more difficult is the task of defining the level of service to be provided. This lack of specificity leads many officials to generalize about the quality and effectiveness of service delivery, and to cite anecdotal accounts of satisfaction. It also leads to judgment calls by front line staff with no context for the trade-offs between what to provide and how to provide it.

Developing a strategic plan and working diligently to address operational efficiency are useful ways to ensure that expectations are met; however they will not be sufficient to guide day to day efforts of staff who is regularly asked to choose between competing priorities. Clarifying the *importance* of each service area within the city, and additionally, clearly defining the *level of service* to be delivered will be necessary.

Appendix B in this report is a template that can be used to guide the city's efforts to document each service— it provides the basis for decision-making upon nine key questions:

1. Identify all departmental functions and activities.
2. Determine why the function is performed.
3. Determine which functions/activities are “core functions” related directly to the City or department mission.
4. Define and quantify each of the activities (indicate what resources (staffing) are required to produce each output).
5. Group functions by outputs (what goods or benefits are provided). Identify who benefits and how from each function/activity.
6. Determine whether the function/activity needs to be done and what the consequence(s) is of no longer performing the function.
7. Determine whether the function/activity could be done better/less expensively by the private sector, another government entity, or collaboratively.
8. Determine the consequences of no longer providing the service, outsourcing, cutting or reducing it.

The process of documentation and prioritization is time-consuming but is vital for framing decisions on resource allocation/cost containment, staffing and alternative service delivery. The City Council, in tandem with the leadership team, should develop a workable schedule and process for creating service delivery data, reviewing the relationship between services on the books and strategic outcomes, and prioritization of services that support core delivery and desired outcomes.

If the City chooses to undertake this effort, at a minimum, useful documentation on services will be generated. Ideally, the information will be sufficient to inform choices and on-going decision-making. As part of the process, the City may find it worthwhile to engage the community in discussions about services and services levels—either directly or through survey mechanisms.



### 3. Create a comprehensive workforce development strategy and program

The City should make workforce development and knowledge transfer a high priority. The overarching goal should be to develop a comprehensive workforce development strategy and program that includes succession planning, leadership development and employee engagement. Strategy and program development should include the following:

- a. Review of the department-based succession plans currently in place, making a determination as to their usefulness in guiding short-term staffing and recruitment decisions.
- b. Determine how or whether to integrate the department-based plans into an enterprise-wide workforce development strategy.
- c. Develop an organizational philosophy regarding leadership development, including such things as training and mentoring, identification of future leaders, internal and external recruitment, and job flexibility.
- d. Perform a gap analysis. This will involve inventorying the core competencies and skills of the current workforce and comparing them with the expertise needed within the organization over the next five years. Projections of future needs, however, can only be developed after the leadership group has clarified the City's strategic directions, essential services, and service levels.
- e. Create a comprehensive program and detailed plan based upon the efforts of the previous steps.
- f. Establish and support knowledge transfer and employee development by creating expectations of long-term incumbents related to delegation of key tasks and focused mentoring.
- g. Consider creation of a "manager corps" within the City - composed of current managers and supervisors, as well as others with potential to move into management positions. The focus of group activities would be to learn about relevant topics such as performance management, financial management, effective teams, etc.
- h. Make greater use of cross functional teams internally. These should be functional teams that are not treated as "extra" activities for those involved. The goal here is for cross functional collaboration to become a standard way of doing business rather than a special event.

Related to these efforts, the City should examine how to best use the talents of existing staff that have expertise beyond those required for their current positions. During the interview process, a number of individuals with hidden or underutilized talent were identified. As an example, one employee--not assigned to IT work--was identified who had previous experience in internet security and website development.

By offering employees opportunities to use the full range of their talents the organization creates support for the workforce development philosophy- allowing the organization to maximize existing staff, providing expanded opportunities, and perhaps moving people to different positions in the organization.

#### **4. Reorganize departments-aligned with strategy, service priorities**

The city should consider a comprehensive reorganization of functions –to improve the synergies available in the current structure, and taking advantage of the opportunities provided by leadership transition and strategic planning/priority setting. Currently, there are eight directors reporting to the City Manager (not including Library and Community Health). Two alternative structures are provided for consideration in Appendix A.

Reorganization should be done to improve resource utilization, fulfill the organizational mission and accomplish objectives. For that reason, it is difficult to make sweeping recommendations for change absent information that will come from the city’s strategic planning and prioritization efforts (should they be adopted). However, two optional approaches for reorganization are presented that addresses basic problems in the current structure.

The current structure, as noted previously, is hierarchical and includes a number of small free-standing departments. This structure reinforces “stove-piping” of operations and makes it difficult for resources to be shared and staff to be cross-trained- unless it is done at their own initiative voluntarily.

Both options presented improve upon the current conditions however; the preferred alternative is Option 2. This option suggests the following changes, which result in the creation of four broad departments which link similar services and functions:

1. Merge Human Resources, IS, Purchasing ,and City Clerk with Finance – creating an Administrative Services Department
2. Merge Park Maintenance with Public Works – creating a Maintenance Services Department
3. Combine Police and Fire departments into a Public Safety Department
4. Combine Public Transit, Parking Utility, Assessing and Recreation with Community Development in a newly formed Development Services Department.

These proposed changes include the designation of four Assistant City Managers with responsibility over the newly formed departments. These are not new positions, but rather designations to be determined from existing staff. The benefit of this new structure is the combining of similar functions – such as park maintenance with other maintenance functions, and the alignment of resources in small departments, such as City Clerk, so that cross-training and sharing can more effectively be accomplished.

These recommendations are not made either lightly or naively. The creation of a combined administration of Public Safety into one department is something that is not common, but is performed effectively in many localities. It does require however, the merging of two department cultures that have long and distinct histories. This change should be approached slowly and deliberately and in coordination with the strategic planning, prioritization and succession planning efforts suggested herein. The proposed consolidation should consider such things as police and fire performance standards and measures, training, and the structure of department leadership.



In the case of Administrative Services, this combination is recommended to provide a structural framework for the difficult work of coordinating and streamlining administrative support operations. By putting all of the administrative functions in one department, the framework and accountability for coordination are established. The challenge in this reorganization will be to focus on process improvement, cross-training and the elimination of low-value work, which ties into the core service prioritization efforts.

Combining park maintenance with Public Works consolidates similar maintenance functions and provides an opportunity for resource sharing and cross-training. Informal relationships and sharing already occur here- this change provides a formal structure for enhanced cooperation, accountability and resource deployment. It is proposed that maintenance of the pool and arena remain with Recreation due to the unique nature of these facilities.

The creation of a Development Services Department combines functions that relate to the development of the community and quality of the built environment. The parking utility and public transit are part of the transportation system, and therefore have been associated with Engineering and Public Works- a reasonable affiliation. The realignment is meant to acknowledge that these divisions are also directly associated with the land use and development patterns of the community, suggesting a closer tie to this department.

The Assessor's office is recommended for inclusion in Development Services as well, due its connection to development, real estate and the inspection of properties- the last of which could provide important collaborations with the inspection division. The Recreation division is recommended for realignment here as well. This is an acknowledgement that following reorganization, Recreation will be a fairly small department with an exclusive focus. Ultimately, the relationship of recreation programs to the enhancement of community life was the determining factor for this recommended change.

From a larger perspective, recreation programming could, and perhaps should be evaluated for potential collaboration and/or consolidation and outsourcing. Without further investigation it is difficult to know whether there are additional fee-based or private options for some programming, but it makes sense to examine collaborations with the school district and perhaps the county. In addition, UWEC has a degree program related to recreation that could be investigated for opportunities as well.

## **5. Continue and deepen the commitment to process improvement**

The city has already embarked on efforts to improve core processes. An internal team, called the Focus team, was created to lead this effort. In 2009, numerous processes were identified and prioritized for improvement. Time has passed, and the effort has lost some momentum. It is strongly recommended that the city continue and deepen its commitment to process improvement throughout the organization.

A "swat team" approach could be considered for this renewed effort. This would involve creating a team or using the existing Focus Team – empowering them to work exclusively on a high-priority project

- focused on it until the goals are accomplished. Team members would offload work to others, providing an opportunity to accelerate cross training. It may also mean giving lower priority to certain kinds of tasks for a period of time, or supplementing the workforce with interns and temporary help as appropriate.

According to W.Edwards Deming, the preeminent expert on organizational performance, as much as 93 percent of an organization's problems can be traced to faulty processes. Fortunately, the city has recognized the value in this effort. Going forward, the following actions are recommended to solidify the organization's commitment:

- a. Establish/reconfirm a formal process improvement program
- b. Integrate process improvement into continuous cycles of service review and strategic planning
- c. Train employees on process improvement techniques

This effort will only be successful however; if a priority is placed on allocating staff time to participate in these activities. Moreover, the organization needs to determine whether or not continuous process improvement is to become standard operating procedure, or simply a series of "events" that are outside normal work expectations. Leading organizations make continuous process improvement and continuous improvement generally, a baseline expectation, and a part of the organization's review and accountability system.

## **6. Create a culture of continuous service improvement**

Doing business in a new way has already taken root in the organization. Numerous innovative, entrepreneurial and collaborative approaches exist. In order to take full advantage of this environment, it is recommended that the City make a formal commitment to continuous service improvement and service optimization as part of standard practice.

Service optimization and continuous service improvement means that the organization makes an on-going and continuous effort to examine its operations – focused on delivering the most effective results. These expected results will certainly include financial and qualitative aspects, but in all cases will be defined by the Council and stakeholders establishing the organizational and community standards.

While this means that every employee will eventually need to understand and adopt this as a way of working, it is important to plan for and lead the cultural shift that will take place. For that reason, it is recommended that someone within the current staff be given the responsibility for leading the service improvement efforts. This would not be a newly created position or department, but would become part of someone's job. It can, and should be seen as a leadership development opportunity.

The goal of this recommendation is to move the organization from a traditional monopoly perspective- or "doing things the same way" to one in which the organization engages in continuous cycles of review- looking for the "best" method for deployment and delivery. Departments would regularly examine whether an individual service is generating the results desired - meaning that it is measuring its



performance against established measures which would be generated from strategic objectives, supplemented by such things as industry criteria, Council and citizen expectations.

It would also mean that managers would be expected to continuously examine whether the current service delivery approach “competes” well with other possible delivery options. This does not mean that reviews would be based on competitively bidding the service, although that could be an outcome, it is meant to suggest that managers would be expected to continuously examine optional ways to improve effectiveness. Given the fact that a joint commission on shared services exists, these efforts could become an on-going part of the system that feeds new opportunities and ideas to that group.

## **7. Use employee-management teams to facilitate change**

Acknowledging the reality that organizational change in a strong and established collective bargaining environment requires both compliance with contract provisions and direct participation by employees and supervisors, it is recommended that the city consider using an employee-management transition team process (EMTT) process to facilitate the changes proposed. While not a panacea, EMTTs provide a flexible and adaptive structure for management and labor to work together on common objectives in addition to the more narrowly defined rules and processes of collective bargaining.

Many different approaches exist for establishing EMTTs. Resources and examples at the State of Wisconsin and/or the Federal level may provide suggestions appropriate for Eau Claire’s environment. Given the significant change recommended in this report, and understanding the fluid nature of collective bargaining in Wisconsin, EMTTs may provide a positive and respectful approach to making the proposed changes work effectively. It may also have the related benefit of fostering improved collaboration between labor and management on issues of significance to the City Council and community.

This approach should be carefully planned and implemented in selected major operational areas. Rather than use EMTTs broadly across the organization, it is suggested that the park maintenance-public works consolidation be selected as the first candidate area to try this.

## **8. Address change management implications throughout the organization**

The recommendations in this report represent a significant amount of work and a significant amount of change. To ensure that the organization has the best chance for successful implementation, it is recommended that the leadership team – including top management and the City Council- take steps to educate themselves about change management principles and strategies. Additionally, the City should actively work to build staff capacity so that managers, supervisors and staff can meaningfully contribute to the development of plans and strategies suggested in this report.

Most of the organization’s top managers seem to have limited experience implementing formal change processes. For organizational change to be successful, the management team will need to be better

versed in proven strategies such as the Lewin 3 Step Model for Change, and tools such as Force Field Analysis. When used properly, they can increase the potential for success and create a “change environment” which, in turn, can enhance innovation in processes, programs, and projects.

Integral to this effort will be the example set by leadership. Currently, it appears that the organization spends much of its time engaged in “tasks” or crises of the moment. As noted in other sections of this report, it will be important for the organization to move toward a more strategic orientation to attain a high level of long-term success. An important part of this strategic orientation is the conscious modeling, by leadership, of strategic thinking and action.

Setting aside regular meeting time to plan and prioritize strategic actions, reviewing progress and engaging employees and stakeholders are some of the fundamental actions that need to take place to ensure that the organization moves beyond the current short-term task orientation. Nearly as important as this will be the need to confront “what not to do”.

Organizations generally, and local governments in particular, have a difficult time “letting go” of practices, services and ways of doing business. Much of this is rooted in the fact that services and practices are often created to address a community or constituent need. However, long after the need is no longer present, or community values have shifted, the practices continue. Coming to grips with this difficult reality will be important as the organization wrestles with implementing change in a systematic way.

## **9. Examine space needs as a part of the reorganization process**

The City needs to include facility and space planning as part of the efforts associated with restructuring contained in this report. This work should be coordinated not only with the reorganization efforts, but with the efforts to identify and prioritize core services. Location of key functions and the best layout for individual employees will be important, but customer needs- both internal and external- should be part of the evaluation as well. The goals should be to increase efficiency, reduce building space costs, improve customer service, and achieve sustainability.

There will likely be a number of changes to City buildings- if the space needs analysis referenced above is conducted. The City should continue its focus on reducing its carbon footprint and conserving resources. For example, the City of Burnsville, Minnesota saves over \$80,000 a year by considering “green” alternatives, as part of a 14-point plan to be more sustainable.

## Implementation Plan

Should the City Council decide to implement the recommendations contained within this report, the following are suggested priorities and initial implementation steps for the major recommendations. The timing suggests the starting dates for the performance period- not necessarily completion. Many efforts will be completed within the timeframe; however, some of the recommended changes will take considerable time, and require significant effort by numerous stakeholders both within and outside the organization.

In addition to suggested implementation steps, potential obstacles and key issues to consider are also provided.

### Timing – 2011 - 2012

#### **1. Develop a strategic plan with a detailed action plan**

- a. Determine planning cycle/time horizon– consistent with budget, election cycles
- b. Define approach, leadership roles
- c. Determine level of civic and organizational engagement
- d. Initiate planning process
- e. Create accountability-reporting system
- f. Determine metrics/performance measurement process

**Issues/Obstacles:** Sustaining a focus on strategic thinking; committing to on-going engagement between management team and Council regarding performance reporting/accountability for results; ensuring strategic objectives match stakeholder desires and needs

#### **2. Set service priorities and clarify the level of service for each area**

- a. Hold worksession(s) to discuss process and organizational commitment
- b. Establish schedule and process for Council-staff review of core services
- c. Determine process for receiving input on priorities and impact of service delivery from public and employees
- d. Document services, resource allocation, level of service provided
- e. Hold worksession(s) regarding priorities and levels of service
- f. Address unsustainable department service levels
- g. Set targets for budget decision-making based upon established service priorities and service level descriptions

**Issues/Obstacles:** Commitment to prioritization and service level process- Council and management team (time commitment); willingness to engage in difficult discussions regarding services to reduce/eliminate; ability to handle ambiguity



**3. Initiate comprehensive workforce development plan**

- a. Conduct review of succession plans in place
- b. Determine approach for organizational succession planning
- c. Conduct a gap analysis of current core competencies compared to five-year need
- d. Develop an organizational philosophy regarding workforce development
- e. Design workforce development and succession plans based upon gap analysis
- f. Establish “manager/leadership” corps- for focused training & development

**Issues/Obstacles:** Allocating time and resources to develop plan; gaining comprehensive agreement across departments; engaging workforce in planning process

**4. Realign organizational structure with core mission, strategies, and service priorities**

- a. Determine best approach for reorganization- between Options 1 and 2
- b. Assess the Employee-Management Transition Team approach for use in facilitating potential reorganizations- starting with Public Works-Parks Maintenance
- c. Appoint assistant city managers/department directors to lead consolidated departments of Administrative Services, Maintenance Services, Development Services, and Public Safety.
- d. Determine interim facility space needs for reorganized departments
- e. Consolidate the Administrative Services Department
- f. Consolidate the Development Services Department
- g. Consolidate the Maintenance Services Department
- h. Consolidate the Public Safety Department

**Issues/Obstacles:** Resistance to change; turf protection; anxiety about roles, titles, and compensation; culture clashes between consolidated departments; timing of consolidations and retirements of key managers/department heads; comfort of an approach that is based upon titles and traditions vs. functions and outcomes

**Timing- 2013-14****5. Initiate a focused change management process**

- a. Educate leadership team on change management approaches
- b. Leadership team develops plan for organization-including employee engagement
- c. Appoint a cross-functional team to coordinate effort
- d. Engage entire workforce and City Council in discussions, implementation process

**Issues/Obstacles:** Perceived importance by staff and Council; unfamiliarity with focused, formalized change processes; willingness to allocate time



**6. Embed a culture of continuous service improvement into restructured organization**

- a. Define continuous improvement/establish expectations
- b. Create standard process for on-going review
- c. Connect service standards and process to service prioritization/level of service process
- d. Incorporate service optimization concept/Joint Commission in program design
- e. Train staff in program performance review

**Issues/Obstacles:** Allocation of resources for training and implementation; employee suspicion regarding motives; lack of experience or understanding of approach- because it is not widely practiced

**7. Continue and expand process improvement program**

- a. Integrate with continuous service process
- b. Continue with current Focus group process
- c. Continue and expand staff training in process improvement
- d. Create process improvement calendar-accountability system

**Issues/Obstacles:** Allocation of time and resources to a sustained effort; skepticism regarding ROI of this effort; attitudes- positive or negative regarding Focus effort

**8. Complete space needs improvements essential to the reorganization process**

- a. Appoint project manager/team to plan/implement changes
- b. Examine current/projected space needs deficiencies- internally or via professional analysis
- c. Establish capital improvement funding objectives for space allocation- functional/service/sustainability
- d. Complete facility and space improvements critical to reorganized departments

**Issues/Obstacles:** Structural limitations; resource constraints; coordination between space analysis, reorganization process and service prioritization

## SUMMARY

This report was prepared to provide high-level guidance to the City Manager regarding organizational structure, alignment and service delivery.

As noted in the introduction, the consulting team asked directors and managers a series of questions to frame and inform the analysis. Those questions, and the consulting team's interpretation based upon the answers and subsequent analysis, provide a summary for this report:

1. What are the city's core functions? Are they well-defined? Prioritized?

There is general agreement regarding the core functions and the relative importance of core services identified by the City Council. The leadership team uses its working knowledge of these services to make decisions that require trade-offs and prioritization. A formal prioritization of services has not been performed by the Council and/or leadership team, and no detailed determinations regarding the level of service to be delivered have occurred. This may have negative long-term implications as financial resources become more constrained and experienced managers retire.

2. What is the city's vision for the future- is it clear/documented? Are there plans in place to reach the desired outcome?

As indicated in the report, the city has a strategic profile and strategic priorities, but no action plan. Clear Vision Eau Claire provides some general guidance, as does the Comprehensive Plan, however, a detailed strategic plan with objectives tied to the vision(s) does not exist. Articulating a vision and clear outcomes will be important as new leadership comes on board and environmental challenges persist.

3. Does the city have the necessary human and capital resources to achieve its vision and strategic objectives?

The city appears to have sufficient resources to achieve its strategic objectives.

4. Are the human and capital resources structured, aligned and deployed to achieve maximum efficiency and effectiveness?

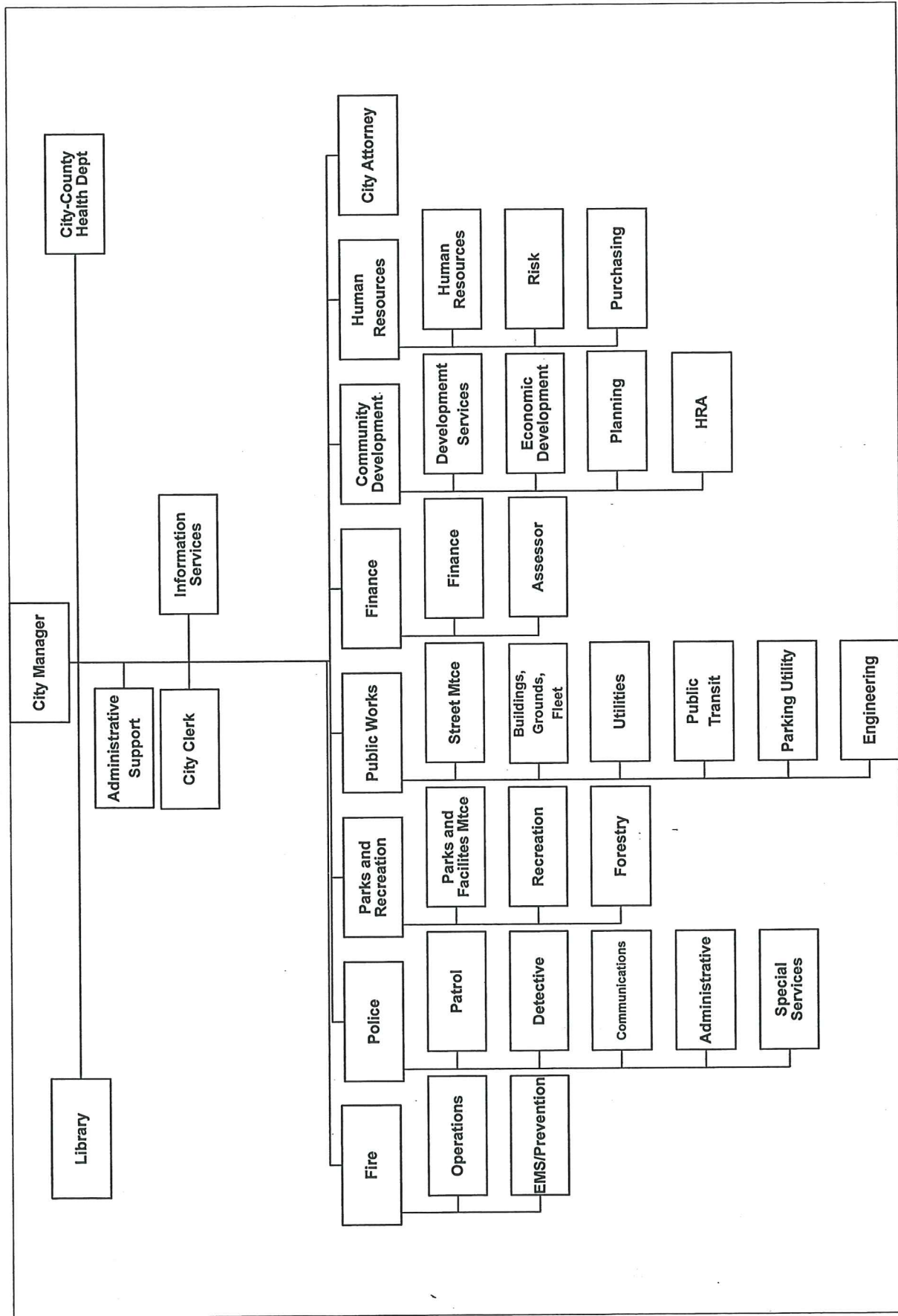
As noted in the report, the human resources are not aligned well to capitalize on the opportunities available within other similar departments. Reorganization could improve efficiencies and also help maximize capital resource planning and utilization.

5. Are there systems in place to direct, measure and continuously improve operations?

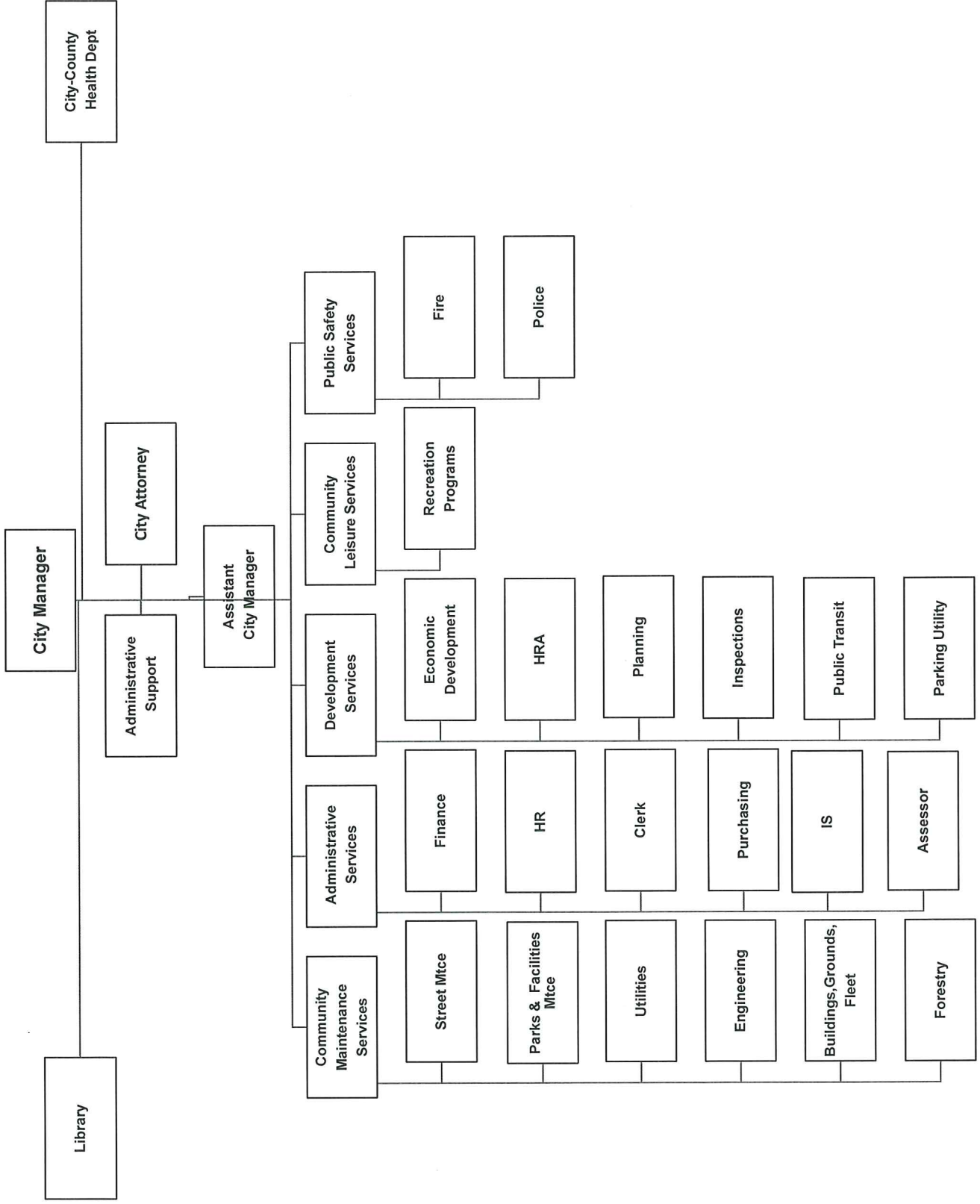
There are some measures in place and there have been initiatives like the Focus team to pursue continuous improvement. The measures being used, however, are largely output rather than outcome focused, and are not connected to strategic objectives or overarching strategy. The continuous improvement efforts, while laudable, often become victims of current needs and therefore have been only mildly successful.

6. What are the key issues and challenges that the city must confront to remain viable and achieve its objectives?

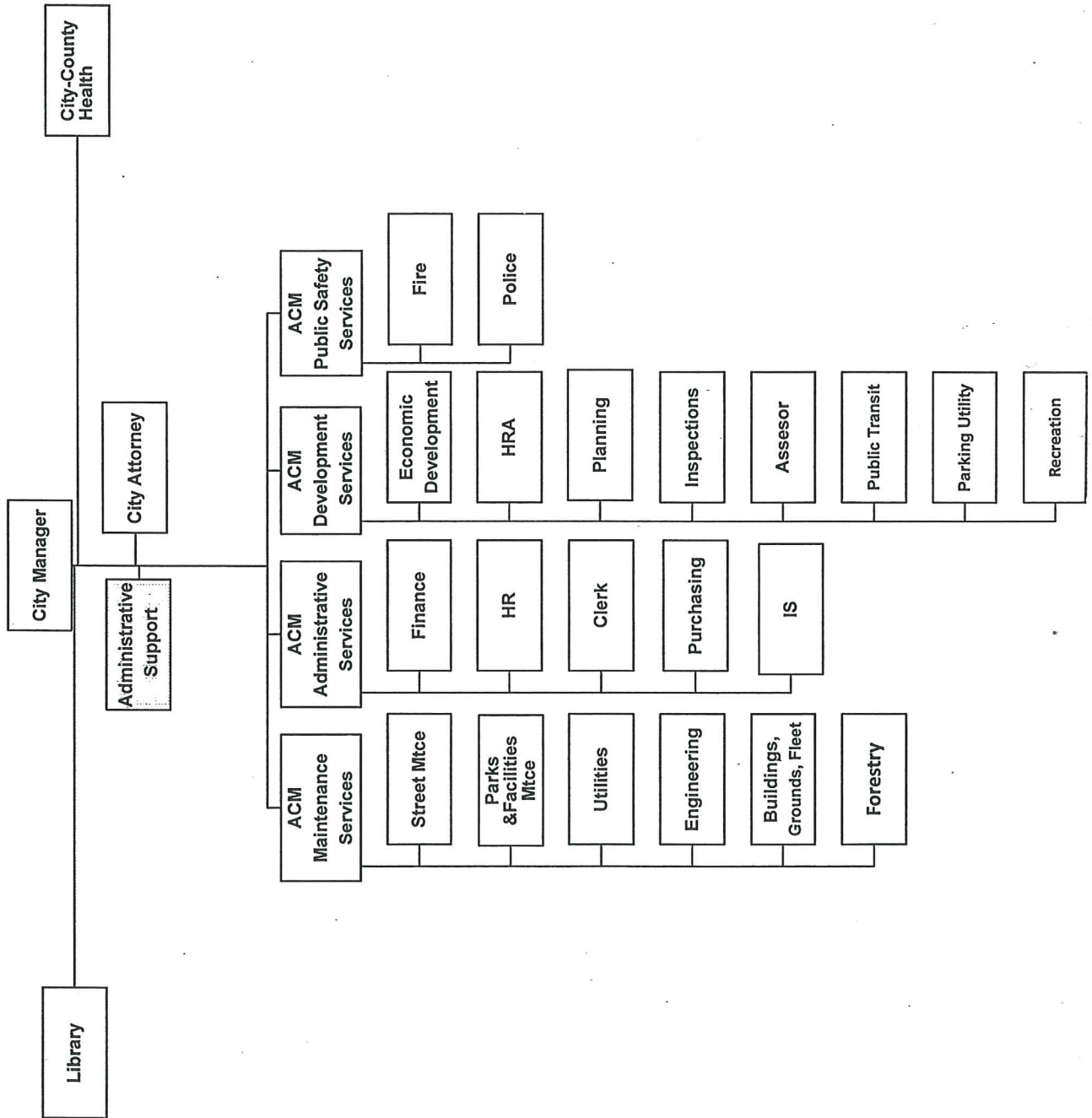
As noted in the report, the aging workforce is the number one issue facing the organization. Addressing workforce development, including succession planning, is critical. In addition, strategic planning and prioritization of services are important due to the instability of the economy and political environment at the state level. Reorganization, integrated with purposeful efforts at strategic planning, prioritization and workforce development, can be useful as an approach for facing the challenges and achieving desired objectives.



Current



Option 1



Option 2



Matrix Item	Directions	
Function/Activities  Why do you do it? Mandate? Essential? Discretionary? Administrative? Revenue Supported? Non-Program	<p>Data is from Annual Budget Functional Organization Chart. Add or Edit if required</p> <p>Classify the functions and activities according to the following:</p> <p><b>Mandated (M)</b> -Required by federal or state law or contractual agreement</p> <p><b>Essential (E)</b> - Basic function of government (purpose and service level is prescribed by city council and/or ordinance)</p> <p><b>Discretionary (D)</b> -Service, program or activity established based on city council direction, but not deemed essential</p> <p><b>Administrative (A)</b>- Department directors and other administrative support not part of direct delivery of service</p> <p><b>Revenue Supported (RS)</b> - Services completely funded from dedicated revenue sources (i.e. utilities)</p> <p><b>Non-Program/Other Adjustments (O)</b> - Services that are not direct, i.e. insurance costs, charges from internal service funds</p>	
Core/Non-Core/Partial Core	<p>Rank the identified functions according to whether they are core to the city's operation. Keep in mind that a core service is one that should be supported by "core" sustainable revenues. A non- or partial core function or service may be highly valued and contribute significantly to quality of life. Core Functions or services are directly related to your department's mission or City's Priority Outcomes: Analyze each function through a variety of lenses. Is it required or mandated by state or federal law? Is it required to assure that critical outputs are accomplished? Is it required to assure accountability within the system? Which ones help ensure that you will provide timely, high quality, and least cost services or goods to accomplish your mission? If you picture a large funnel with a filter at the bottom, which functions would make it through to the other end?</p> <p><b>Core (C)</b></p> <p><b>Non-Core (NC)</b></p> <p><b>Partial Core (PC)</b></p>	
FTEs Required per year	<p>Identify the staff required to perform each function. Is each person required to complete the function? What would the consequence be if they were not there? Identify the approximate staff resources required to provide the service or function. Estimate the portion of FTE allocated to the function.</p>	
Cost	<p>If possible estimate the approximate cost of the FTE allocation.</p>	
Outputs	<p>Data included is from the Annual Budget. Edit as needed.</p>	
Outcomes Good/Benefits Provided	<p>Indicate the Outcomes or the results that you expect from the service, activity or function. What goods or benefits do you expect.</p>	
Who Benefits?	<p>Identify if possible who will benefit from the service.</p>	
Alternate Delivery Mechanism	<p>Can the service be eliminated or reduced? Can it be provided in a different way? Can it be provided by or shared with another government or to the private sector?</p>	
Consequences if shared, outsourced, cut or reduced	<p>What would the consequences be of providing the service or function differently or of eliminating the function or service? Can the highest priority outcomes be accomplished without performing these activities? If not, can they be performed more efficiently or effectively by other providers (under contract to another government entity or outsourced)? Can the core functions be improved? Provided more efficiently? What are the short and long-term effects of no longer providing the service(s)?</p>	



[illegible]



General	E, A	Partial Core	Sec. II, HR Director or Specialist		Supports City and department policies and procedures; assures compliance with contractual obligations	Assure fair and equal application of policies; enhance employee morale; provide documentation;	Employer, employees, departments	No one other than outside vendor for publication of handbooks, etc	
	M	Core	Director		Protects City from liability and employees from unfair/discriminatory treatment	Assure fair and equal treatment of employees; protect employer	Employer, employees	Outside consultant and/or labor counsel	Potential for increased costs on per hour basis due to increased reliance on legal counsel; would not eradicate the need for inhouse staff to support
	E	Core	Director	185,700	Budget compliance	Assure within budget parameters	Employer, Residents	No one	
	A	Partial Core	Director and/or Specialist		Work with employees and departments to provide a positive, challenging and productive work environment (Output T)	Assure equal and fair treatment of employees; provide support service to dept. and employees; help avoid more drastic dispute resolution measures.	Employer, departments, employees	Outside consultant, vendor and/or legal counsel	Potential for inconsistent application of policies and philosophies; time delays; more costly on per hour basis
Labor Relations	A	Partial Core	Director or Specialist (minimal time commitment)		Shelter and welfare needs of persons providing emergency services are met	Enables emergency workers to perform more efficiently and effectively	Employer, employees, residents, emergency workers/families	No one (?)	
			2, plus outside counsel	Reflected above, plus \$40,000 for outside labor counsel					



Labor contract negotiations for 6 bargaining units; Publishes and maintains collective bargaining agreements	A		Core	Director, Specialist, Secretary II		Contracts settled and implemented	Fair and impartial treatment of employees; potential of establishing productive employee/union/employer relations; Compliance with legal mandates; dissemination of information to employees and departments.	Employer, departments, employees	Outside labor counsel; outside vendor	Increased costs due to complete reliance on outside labor counsel
Grievance and contract administration (including providing service and consultation to employees/supervisors on contract interpretation, disciplinary procedures, pay administration and personnel recordkeeping); Represents employer in grievance and Act 312 arbitration hearings, Personnel Board and Act 78 Commission meetings, Michigan Employment Relations Commission hearings and Unemployment Compensation Appeals	A		Core	Director, Secretary II		Provide quality service and consultation to departments and employees on employee and labor relations and personnel issues (Output T)	Assists the supervisors in applying contract provisions appropriately; assures employees of avenue for dispute resolution, defends the City in challenges	Employer, departments, supervisors, employees	Outside consultant and/or labor counsel	Costs/hour most likely higher